THE
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DAN SMOOT

SOCIALIST INSECURITY

"Socialist Insecurity" is the title of a *Report* I published July 8, 1957, pointing out — and, with government statistics, proving — that the social security system was already bankrupt. The *Report* created some consternation. Many Members of Congress and officials of the Eisenhower administration — in response to letters from my subscribers — said I was wrong. They asserted that the social security system was sound. But they were wrong. I was right.

In that 1957 *Report*, I predicted that conditions would "be horrible 15 or 20 years from now." Now, only 12 years later, government spokesmen admit that conditions are horrible.

Everyone — from the poorest to the wealthiest; from the socialist-communist activist, to the educated constitutional conservative — agrees with President Nixon that our social-welfare system is a monumental failure. It has hurt, rather than helped, the poor — encouraging dependency, eliminating pride in self-reliance, creating bitterness among those for whom welfare has become a way of life. It has caused resentment among workers taxed to support the idle. It has deeply eroded the American spirit of concerned neighborliness which formerly moved most Americans to reach a voluntary, helping hand to those in distress.

Though everyone agrees with President Nixon's condemnation of our welfare system, most who agree with his proposed remedies are those corrupted by the welfare-state philosophy that society owes them a living; politicians concerned with buying political support by promising enlarged handouts for the growing legions of reliefers and pensioners; humanitarians and naive uplifters-of-the-downtrodden-with-someone-else's-money still ignorant enough to believe that a beneficent dictatorship can really produce economic security for all; and communists who want socialism, not only because it is the ultimate objective of communism, but also because they know that once all economic and political power is concentrated in a central dictatorship, a few faceless, strategically-placed individuals

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can control the nation for international communism by manipulating the levers of power in Washington.

Our welfare system (which all agree is monstrous) is based on the Social Security Act of 1935.

We were told that compulsory social security would provide adequate incomes for the aged, and that the spending of those incomes would guarantee an ever-expanding consumer market for goods and services. Thus, we were told, everyone would actually profit from, rather than be pinched by, the social security tax. The tax was only 1% of a limited portion of a covered individual's annual salary, plus a matching amount "contributed" by his employer. This insignificant tax would be more than offset, we were assured, by the increased business activity, and the consequent expansion of employment, that would result from the spending of social security benefits.

None of the bright promises has been kept, not really because we were cynically lied to, but because it is inherently impossible for socialism to provide even the barest necessities of life, much less economic abundance.

Government can give the people nothing that government has not first taken away from them; and what government gives back is always, necessarily, much less than what it takes. Although this truth is so obvious that it needs no illustration, abundant illustrations are available in the history of innumerable nations — from the ancient Incan empire to the modern communist state. Wherever and whenever government has assumed power to confiscate the earnings of the people for the purpose of dividing it up and providing economic security for all, the ultimate result has always been general poverty and oppressive tyranny by the government whose motives seemed to be (and in most cases were) benign.

Today, elderly Americans retired on social security (who were promised *security* years ago when forced to "participate" in the compulsory system) can barely exist (and many could not exist at all) solely on their social security benefits. This is not because their benefits are low, but because costs of everything they need are high. The beneficent big government in Washington — having promised to provide income for their retirement years — is responsible (directly or indirectly) for the high costs which render the income inadequate.

People taxed for social security were told that the benefits accruing to them would be theirs by right of having been paid for, but those now retired on social security find many bureaucratic strings attached to their "earned benefits." Some who were prosperous during the working years, and laid something aside privately, find the monthly social security check a helpful supplement to income from savings or investments. But government penalizes those who were less prosperous during their years of working and paying taxes — penalizes them by severely limiting the amount of money they may earn in wages to supplement social security benefits.

Many elderly persons now retired on social security were sufficiently industrious and frugal during their working years to buy their own homes. With shelter thus provided by their own efforts, they thought social security would take care of the rest in their golden years. But the prospects which seemed golden 30 years ago are now leaden. Outrageously increased ad valorem taxes on their homes are now high enough to consume a heavy percentage (in some cases *most*) of the social security benefits. Is this the fault of the *federal* government, since taxes on homes are imposed by local governments? It is, in large part. Federal taxes take so much money out of every community that local governments have been forced to scrounge for tax money wherever they can find it.

People now retiring on social security, after paying maximum social security taxes for 32 years, will not receive nearly as many dollars in social security retirement benefits as were taken away from them and their employers in social security taxes.

They would be much better off if government had left them alone to save or invest privately all

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the money government took away from them in social security taxes.

They were also hurt, not helped, by what was taken away from their employers in social security taxes to pay for their ultimate social security benefits. It is a simple, economic truth that a normal business cannot pay *any* tax, and survive, without passing the cost of the tax on to others — to customers, by raising prices; or to employees, by keeping wages down.

We get a better idea of how shamefully government has swindled most social security pensioners if we compare the *value* (purchasing power) of all dollars taken away from them and their employers in social security taxes with the *value* of all dollars they will receive in social security benefits.

In 1937, the maximum annual social security tax for any worker was 2% (1% from the worker, 1% from the employer) of $3000—$60. That $60 would buy almost ten times as much in 1937 when government took it in social security taxes, as it will buy today when government pays it out for social security benefits — thanks to government taxing and deficit financing.

The "insignificant" maximum social security tax has now risen to 9.6% (4.8% from employee, 4.8% from employer) of $7800 — $748.80 a year. The social security tax is more than ten times what it was 32 years ago; the value of the dollar is almost ten times less than what it was; and both (escalation of the tax, and debasement of the dollar) are continuing at accelerating speed.

If present trends hold, and government policies do not change, young people entering the work force today will pay into social security at least ten times more dollar value than they can ever get out of it.

Indeed, the probability is that they will never get anything out of social security, because continuation and expansion of the system will bankrupt this nation before the end of the century. The social security system itself is already hopelessly insolvent, though it was only a dozen years ago that the system started paying out more than it was taking in.

U. S. Representative Jim Collins (Texas Republican) believes in compulsory social security, and wants benefits raised 10% immediately, because inflation has consumed most of the increases which Congress provided two years ago. Yet, Mr. Collins concedes that social security is already insolvent. He says the trust fund now has a $423 billion deficit.

Republican and Democrat plans for social security will make matters worse — because social security has become an uncontrollable political monster.

People retired on social security pensions are of voting age, and most will support politicians who promise increases in retirement benefits. More than 25 million adults now receive social security pensions, already enough to *swing* a national election (and this does not include millions of social security *welfare* recipients — those who never worked or paid direct taxes, but who draw Aid to Families With Dependent Children). Within a few years, there will be enough social security pensioners (without counting social security reliefers) to *control absolutely* any national election.

Aware of this political fact, Republicans and Democrats compete every year for the social security pension vote, by promising to increase pensions. Every time pensions are increased, the tax on those still working is increased.

Social security benefits were last increased in 1967 (in preparation for the 1968 elections) — by 13%. Now (in preparation for the 1970 elections), Nixon wants another 10% increase. Most Democrats and many Republicans in Congress are demanding an increase of 15% or more.

Under existing law (the Social Security Amendments Act of 1967), the maximum social security tax (which was $60 a year in 1937) is scheduled to rise to $811.20 per worker per year by 1971. Under Nixon's present proposal, the maximum social security tax would rise to $918 per worker per year. Democrats and Republicans urging more expansion than Nixon recommends do not say how much their proposals would increase the social security tax.

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Nixon would "take politics out of social security" by tying future rises in social security benefits to the cost-of-living index: as government inflates living costs, benefits would increase accordingly. No politician or party could then "take credit" for increases, because the increases would be automatic. President Johnson made the same proposal in 1966.

This system of locking social security benefits and taxes to the rising cost of living is the system that bankrupted the once prosperous nation of Uruguay — where there are now about as many pensioners and civil servants as there are productive workers. Most retired persons in Uruguay get more paper money in pensions than they ever got in wages, because of the rapid and endless rise in the cost of living; but the paper money they get in pensions will buy practically nothing, because it is practically worthless.

There is only one way for us to avoid the same fate: abolish the federal compulsory social security sytem. It cannot be done at once. After careful accounting, fair compensation should be made to those already forced into dependence on social security; but the building up of future obligations under federal social security should be stopped immediately.

The federal government should stop all its unconstitutional welfare activities, and leave the money with the people who earned it. Then, the industrious and frugal could take care of themselves — and have enough left over for private help to others, and for payment of local and state taxes to finance such public social-welfare programs as the people decide should be handled by state and local governments.

AN ACCOUNTING

On October 2, 1969, we had banked, in the Dan Smoot Campaign Fund (for my potential U. S. senatorial candidacy next year) a total of $48,260.15 — from individuals in all 50 states. An additional $35,653.00 had been specifically pledged, if I run.

A substantial portion of the money needed must be *in hand* long before the campaign begins — because radio-tv time must be bought early in an election year. If I wait, until campaigning begins, to buy broadcast time, no good time will be left to buy.

I would be willing to start a campaign, even if I lacked adequate funds for travel, office expense, and the like — taking the risk that money for all this would come in after campaigning begins. But I will not try to run, unless I have enough cash, in *January*, to pay for reasonably adequate broadcast coverage during the closing weeks of the campaign, in October. I do not know what that minimum figure is. An experienced advertising agency is at work to find out.

I have no "organizational support," or "big money" contributors, from Texas oil men or anyone else. Practically all contributions have come from my subscribers. This indicates to me that Americans exposed to constitutional principles will support those principles. In short, if I can find a way to explain to enough Texas voters what I mean by American constitutional government, they will agree with me and elect me.

This accounting to you, my subscribers, is not a plea for more money from you.

You may wish, however, to solicit contributions from others. If so, I will send you free copies of a one-page flyer which summarizes my political platform. Tell me how many you want.

And please accept my heartfelt thanks for the support and encouragement you have given me.

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